

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ABF-01 AGR-05 EB-04 SWF-01 TRSE-00

CIAE-00 INR-05 NSAE-00 RSC-01 /030 W

----- 121334

R 051525Z NOV 74

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 4095

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PASS AGRICULTURE

EO 11652: NA

TAGS: AFSP, EPAP, AU

SUBJ: GAO TEAM VISIT ON CHEESE

SUMMARY: GAO AUDITOR DICKIE STUDYING U.S. QUANTITATIVE RESTRICTIONS ON CHEESE VISITED VIENNA OCT. 8-17 AND INNSBRUCK OCT. 18. GAO INTERESTED TWO ASPECTS U.S. CHEESE IMPORTS FROM AUSTRIA: (A) AUSTRIAN DAIRY INDUSTRY AND ITS SUPPORT PROGRAM INCLUDING EXPORT SUBSIDIES ON CHEESE TO U.S., AND (B) WHAT ELEMENTS AUSTRIAN SYSTEM IMPORT CONTROLS (INCLUDING VARIABLE LEVIES) COULD POSSIBLY BE ADOPTED BY USG FOR CHEESE IMPORTS AS ALTERNATIVE TO CURRENT QUOTAS. EMBASSY PROVIDED GAO ALL FACTUAL INFORMATION ON AUSTRIAN DAIRY INDUSTRY AND PROGRAMS AND REFERRED TO WASHINGTON QUESTION CHANGING U.S. IMPORT PROGRAM FOR CHEESE. GAO LEARNED FROM CONTACTS WITH TRADE AUSTRIA SATISFIED WITH CURRENT U.S. IMPORT QUOTA SYSTEM. GAO ALSO GENERALLY PLEASED AMOUNT OF INFORMATION OBTAINED.

1. AFTER LISTING INFORMATION REQUIRED GOA AUDITORS DICKIE AND LAMOTTE PROBED OUR VIEWS ON TWO ASPECTS AUSTRIAN CHEESE EXPORTS (A) AUSTRIAN DAIRY INDUSTRY SITUATION INCLUDING EXPORT SUBSIDIES TO U.S. MARKET FOR CHEESE, AND (B) ADVISABILITY REPLACING CURRENT U.S. LIMITED OFFICIAL USE

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QUOTA SYSTEM FOR CHEESE BY SOME OTHER REGULATORY DEVICE

POSSIBLY USING ELEMENTS OF SYSTEM NOW APPLIED BY AUSTRIA, INCLUDING VARIABLE LEVIES. WE ASSURED FULL COOPERATION PROVIDE GAO ALL FACTUAL INFORMATION AVAILABLE ON AUSTRIAN DAIRY INDUSTRY AND U.S. CHEESE IMPORT SYSTEM. HOWEVER, DECLINED ENTER DISCUSSION ADVISABILITY REPLACING CURRENT U.S. IMPORT SYSTEM FOR CHEESES SUGGESTING WASHINGTON MORE APPROPRIATE PLACE DISCUSSION THIS MATTER.

2. EMBASSY MADE AVAILABLE GAO ALL PUBLISHED MATERIAL FROM FILE ON AUSTRIAN DAIRY INDUSTRY AND OPERATION OF MILK MARKETING BOARD PLUS MATERIAL ON U.S. IMPORT QUOTA SYSTEM FOR CHEESES. IN ADDITION WE PREPARED SPECIAL TRANSLATION ON SCOPE ACTIVITIES MILK MARKETING BOARD, ITS COMPOSITION AND VOTING PROCEDURE GOVERNING DAIRY IMPORTS AND PROVIDED LIST OF NAMES OF PERSONS RESPONSIBLE ADMINISTERING DAIRY SUPPORT PROGRAMS AND EXPORTS IN AUSTRIA.

3.COMMENT: WHILE ULTIMATE PURPOSE AND CONCLUSION GAO INVESTIGATION DID NOT CLEARLY EMERGE FROM SUBSEQUENT DISCUSSIONS WITH MR. DICKIE, WE BELIEVE ONE OF MAIN OBJECTIVES WAS SEEK ALTERNATIVE IMPORT REGULATORY DEVICE FOR CURRENT U.S. IMPORT SYSTEM THAT MIGHT BE PREFERRED BY EXPORTERS. THIS CONFIRMED BY KOENIGS-WIESER OF ASSOCIATION AUSTRIAN CREAMERY AND DAIRY CO-OPS WHOSE COLLEAGUES DISCUSSED THIS MATTER WITH MR. DICKIE. THE ASSOCIATION TOLD GAO THAT AUSTRIA SATISFIED WITH CURRENT U.S. IMPORT SYSTEM. HOWEVER, SHOULD CHHANGE BE MADE IN SYSTEM DUE INTERNAL PRESSURE IN U.S., AUSTRIA WOULD PREFER SEE MINIMUM IMPORT PRICE SYSTEM WITH EXPORTERS UNDERTAKING GUARANTEE EXPORT PRICE RATHER THAN SEE EC TYPE VARIABLE LEVY SYSTEM WHICH NOT ONLY HIGHLY PROTECTIVE BUT ALSO DISCRIMINATORY TO HIGH PRICE PRODUCERS.

4. DESPITE LACK RESPONSE OUR SIDE REGARDING MATTER OF ALTERNATIVE IMPORT SYSTEM, GAO AUDITOR DICKIE PLEASED WITH AMOUNT COOPERATION AND WITH QUALITY INFORMATION OBTAINED. THIS WAS POSSIBLE BECAUSE AUSTRIAN LIMITED OFFICIAL USE

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DAIRY PROGRAM HIGHLY CENTRALIZED AND THEREFORE EASIER OBTAIN FULL PICTURE SEVERAL GOVERNMENT SCHEMES OPERATING IN DAIRY INDUSTRY THAN ELSEWHERE. HUMES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974VIENNA09358
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740317-0797
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741168/aaaacfwa.tel
Line Count: 110
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 27 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 MAR 2002 by kelleyw0>; APPROVED <23 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GAO TEAM VISIT ON CHEESE SUMMARY: GAO AUDITOR DICKIE STUDYING U.S. QUANTITATIVE
TAGS: AFSP, EPAP, AU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005